



**Parliament of Australia**  
**Parliamentary Budget Office**

Phil Bowen PSM FCPA  
Parliamentary Budget Officer

Senator Christine Milne  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request on *fast-tracking High Speed Rail* (letter of 14 August 2013).

The response to this request will be released on the PBO website (<http://aph.gov.au/pbo>).

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

16 August 2013



## COSTING – ELECTION CARETAKER PERIOD

|   |   |
|---|---|
| <b>Name of proposal to be costed:</b>         | <b>Fast-tracking High Speed Rail</b>  |
| Summary of proposal:                          | The proposal would implement the preliminary requirement section of the High Speed Rail Study Phase 2 Report ('the report') (outlined in Figure 12.1 on page 500), within the 2013-14 Budget forward estimates period.<br><br>The proposal will have effect from 1 October 2013 |
| Person/party requesting costing:              | Senator Christine Milne, The Australian Greens  |
| Date costing request received:                | 14 August 2013  |
| Date costing completed:                       | 15 August 2013  |
| Date of public release of policy:             | 5 August 2013   |
| Agencies from which information was obtained: | Not applicable  |

### Costing overview

This proposal is expected to decrease both the underlying cash balance and fiscal balance by \$664 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase in expenses.

This costing only addresses the costs associated with implementing the preliminary requirements of High Speed Rail as outlined in Figure 12.1 of the report up until 2021-22 (items 3 - 25).

This costing does not address subsequent phases of the project.

This costing is considered to be of low reliability because of the uncertainty surrounding Commonwealth/State funding arrangements for the project and the final implementation plan. Any changes to implementation timeframes, policy design or funding arrangements have the potential to significantly alter overall costs.

The costing provides for the High Speed Rail Development Authority (HSRDA) to be established within the 2013-14 Budget forward estimates as set out in the accelerated timetable in the report. The PBO has not made any assessment on the feasibility of accelerating certain items in the preliminary requirements of High Speed Rail, including the establishment of the HSRDA within the forward estimates period.

The PBO estimates the Environmental Impact Statement would cost approximately \$570 million and would be conducted in 2018-19 and 2019-20, as outlined in Figure 12.1 on page 500 of the report. This equates to 0.5 per cent of the total capital costs of the High Speed Rail project. While this percentage is on the higher end of international averages, the PBO considers this to be a reasonable estimate due to the size and scope of this project.

## POLICY COSTING – ELECTION CARETAKER PERIOD

**Table 1: Financial implications (outturn prices)<sup>(a) (b)</sup>**

| Impact on                     | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-------------------------------|---------|---------|---------|---------|
| Underlying cash balance (\$m) | -135.0  | -149.0  | -157.0  | -223.0  |
| Fiscal balance (\$m)          | -135.0  | -149.0  | -157.0  | -223.0  |

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

(b) High Speed Rail Development Authority established in the 2016-17 financial year.

### Key assumptions

The PBO has made the following assumptions:

- 100 per cent of these costs would be funded by the Commonwealth Government, without any assistance or cost-sharing with State-Governments or private enterprise.

### Methodology

This costing draws heavily on the High Speed Rail Study Phase 2 Report. It is the most comprehensive study into the technical, timing and costs aspects of High Speed Rail in Australia, drawing on a wide range of expertise and experience.

Section 4.2 of Appendix 4B of the report outlines the non-construction development costs associated with the development of the high speed rail network proposed in the report. These non-construction development costs have been benchmarked against a selection of European High Speed Rail lines.

The cost of implementing the Preliminary Requirements was derived by multiplying the assumed non-capital development cost (based on a percentage of indicative capital expenditure) for the pre-phase and preliminaries<sup>1</sup> in Table 29 of Appendix 4B of the report (1.7 per cent) by the total capital costs for the entire project (\$114 billion).

This figure (\$1.9 billion) was profiled across 9 years until 2021-22, when the report indicates these preliminary requirements would finish ([Attachment A](#) refers), with the profile across these years reflecting the expected level of activity each year informed by the details in the report and as reflected in Figure 12.1 of the report.

### Data sources

- High Speed Rail Study Phase 2 Report.

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<sup>1</sup> The pre-phase and preliminaries development costs comprise those costs that are incurred before the detailed planning and design of the HSR network, including the establishment of the HSRDA. Components include legal and political aspects, feasibility studies, environmental impact assessment and other studies, urban development studies, acquisition of property and utilisation rights for property (exclusive of land acquisition costs), land development, consultation, and Insurances and warranties.



## ATTACHMENT A: BREAKDOWN OF COSTS

Table A1: Breakdown of costs (outturn prices)<sup>(a)</sup> <sup>(b)</sup> <sup>(c)</sup>

|                             | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Pre-phase and Preliminaries | -135.0  | -149.0  | -157.0  | -223.0  | -234.0  | -286.0  | -286.0  | -234.0  | -234.0  |

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

(b) High Speed Rail Development Authority established in the 2016-17 financial year

(c) Environmental Impact Statement activity in 2018-19 and 2019-20.